# Technology-Driven Online Marketing Performance Measurement: Lessons from Affiliate Marketing

**Please cite as:**
**Bowie, D., Paraskevas, A., & Mariussen, A. (2014). Technology-Driven Online Marketing Performance Measurement: Lessons from Affiliate Marketing. *International Journal of Online Marketing (IJOM)*, 4(4), 1-16. doi:10.4018/IJOM.2014100101**

## ABSTRACT

Although the measurement of offline and online marketing is extensively researched, the literature on online performance measurement still has a number of limitations such as slow theory advancement and predominance of technology- and practitioner-driven measurement approaches. By focusing on the widely employed but under-researched affiliate marketing channel, this study addresses these limitations and evaluates the effectiveness of practitioner-led online performance assessment. The paper offers a comprehensive review of extant performance measurement research across traditional, online and affiliate marketing and, employing grounded theory, presents a qualitative in-depth analysis of 72 online forum discussions and 37 semi-structured interviews with the major affiliate marketing stakeholders. As a result, the research identifies a growing need for change in the technology-pushed measurement approaches in affiliate marketing, and proposes actionable improvement recommendations for affiliate and online marketing managers.

***Keywords*:** Online marketing, Marketing performance, Marketing measurement, Affiliate marketing, Performance measurement limitations, Marketing measurement practices, Grounded theory.

## INTRODUCTION

The measurement of online marketing performance is one of the most discussed and yet least understood subjects in both academic and practitioner communities (Germann, Lilien, & Rangaswamy, 2012; Malthouse & Hofacker, 2010; Ryan & Jones, 2009). In theory, the advancements in performance assessments of Internet marketing activities remain limited and fragmented. The extant contributions only address the measurement of selected online marketing activities such as banner advertising and social media marketing (Ewing, 2009; Michopoulou & Buhalis, 2008) and largely rely on the theory-testing quantitative research tradition (Michaelidou, Siamagka, & Christodoulides, 2011). From the point of view of theory advancement, this constitutes a challenge given that Internet marketing performance measurement theories are only starting to emerge. On the other hand, the developments in online tracking, performance measurement and analytics in every day practice are rapid and accelerating. Marketing practitioners, excited by the 'big data' capabilities and emerging opportunities to turn what used to be called a 'slippery' marketing practice into an accountable business function (Homburg, Artz, & Wieseke, 2012; Ryan & Jones, 2009), willingly adopt new online measurement approaches and readily switch their attention towards monitoring new numerical performance indicators. While these indicators and technology-enabled measurements indeed capture the marketing impact in a more 'tangible' manner, they continue to be defined by IT-departments and technology developers, whose understanding of marketing function is generally partial and whose collaboration with the

marketing department is frequently occasional, if not absent (Calero, Ruiz, & Piattini, 2005; Seggie, Cavusgil, & Phelan, 2007).

Due to the increased capabilities, practitioner-driven Internet marketing measurement and analytics have been met with much enthusiasm and support by the scholarly marketing community (Ryan & Jones, 2009; Wilson, 2004). A few researchers, however, have also expressed caution towards new technology-enabled measurements, calling for further evaluations of new measurement techniques and approaches (Winer, 2009). In this study, we set out to explore the effectiveness of this measurement and, in order to motivate further development in this field, aim to propose actionable recommendations for practice improvement.

Given that performance measurement is a non-generalisable and context-specific construct (Miller & Cioffi, 2004), we focus on a specific Internet marketing channel – affiliate marketing in the context of tourism and hospitality, where its use is particularly widely spread (Daniele, Frew, Varini, & Magakian, 2009). Affiliate marketing is defined in literature as a commission-based online partnership between merchants and affiliates, in which merchants reward affiliates for the referral of customers to their websites and for the promotion and distribution of the merchant's goods through additional sales outlets (Bandyopadhyah, Wolfe, & Kini, 2009; Duffy, 2005; Goldschimdt, Junghagen, & Harris, 2003).

We begin the article by discussing the present state of research on offline and online marketing performance measurement and by highlighting existing research gaps. We then explain the research methodology adopted and present the results, where we depict the current approaches to performance measurement in affiliate marketing, identify the difficulties of the present measurement practices and elucidate the nature of change required. Finally, in light of the literature analysis and the empirical evidence, we highlight the theoretical and practical implications of the findings, discuss the study's limitations and set forth the future research agenda.

## EXTANT RESEARCH LIMITATIONS

To gain a holistic view of the state of marketing measurement research, we critically analysed a total of 148 carefully selected marketing performance studies from three literature streams: generic (offline), Internet and affiliate marketing. Overall, the synthesis of the findings indicates that marketing performance is an extensively researched area. Much attention has already been paid to marketing performance first in the offline (Ambler, Kokkinaki, & Putoni, 2004; Barwise & Farley, 2004; Connor & Tynan, 1999) and later in the online domain (Bandyopadhyah et al., 2009; Daniele et al., 2009; Ryan & Jones, 2009). The responsibility for furthering the approaches to marketing performance measurement, however, seems to have gradually shifted from theorists to industry practitioners. Whilst generic literature on traditional marketing performance has a solid theoretical origin and base, subsequent work on Internet marketing performance and later on affiliate marketing performance is more fragmented, practitioner-oriented and nearly always initiated by the industry (Borelli & Holden, 2007; Ostrofsky, 2011). Collectively, mainstream, Internet and affiliate marketing performance measurement literature exhibits five major limitations.

### Definitional Confusion

The first notable limitation that has affected the development of the marketing performance literature is a generally poor conceptualisation of the key performance measurement constructs (i.e. performance, performance measurement, effectiveness, efficiency) and much confusion with regard to their differing definitions and interchangeable use (Ambler et al., 2004; Gao, 2010; Morgan, Clark, & Gooner, 2002). Marketing performance is defined as a three-dimensional construct comprised of adaptability, efficiency and effectiveness (Vorhies & Morgan, 2003). Adaptability implies an organisation's ability to adapt to the fluctuations in the environment (Morgan et al., 2002). Efficiency involves the relationships between

an organisation's inputs and outputs, whilst effectiveness indicates an organisation's ability to implement its goals within given environmental conditions, including competition, market demands and organisational capabilities (Morgan et al., 2002).

### Multiplicity of Measurement Approaches

The multiple interpretations of marketing performance have led to another significant shortcoming in marketing performance measurement research, namely numerous operationalisations of the construct and resultant dissimilar approaches to marketing evaluations. Though, as Miller and Cioffi (2004) put it, a variety of measurement frameworks is a natural development given the range of marketing contexts and performance aspects to be measured, the fact that these frameworks are not accompanied by specific recommendations as to how an appropriate measurement methodology can be selected and implemented may lead to further theoretical and practical confusion and may hinder the field from development in a consolidated direction (Bremser & Chung, 2005; Eusebio, Andreu, & Belbeze, 2006; Michopoulou & Buhalis, 2008).

### Limited Internet Marketing Performance Measurement Research

A further literature gap lies in the still limited, largely practitioner-driven and fragmented nature of Internet marketing performance measurement studies. While mainstream marketing research hosts rich scholarly discussions about effective metrics selection (Ambler, 2000; Barwise & Farley, 2004) and puts forth several theoretically grounded measurement approaches (Clark, 2000; Valos & Vocino, 2006), the attention of the Internet marketing scholars has primarily been directed at critical success factors in Internet marketing (e.g., active user engagement, well-designed and secure website), with only a few studies focusing on web-enabled metrics (e.g., hits, clicks, exposures, conversions) and frameworks for Internet marketing performance measurement (Cheong, Gregorio, & Kim, 2010; Michaelidou et al., 2011; Murdough, 2010). These studies develop several new approaches to measuring specific elements of Internet marketing, such as website effectiveness or online advertising effectiveness (Belanger, Fan, Schaupp, Krishen, Everhart, Poteet, & Nakamoto, 2006; Jain, Ahuja, & Medury, 2013; Selim, 2012). Yet, these approaches only concern selected Internet marketing activities (Barwise & Farley, 2004), leaving the measurement of the other Internet marketing channels unaddressed.

### Limited Affiliate Marketing Performance Measurement Research

One of the unaddressed and yet widely exploited Internet channels is affiliate marketing (Mariussen, Daniele, & Bowie, 2010; Martin-Gill, Hartman, Lalchand, Schwarz, & Wehrmaker, 2009). The studies on this channel are to-date scarce, and the constructs of affiliate marketing, affiliate marketing performance and its measurement are yet to be fully defined and explained in depth (Fox & Wareham, 2007; Oetting, 2006; Quinton & Khan, 2009; Woodburn, 2004). The evolving affiliate marketing literature has so far only briefly mentioned the concept of performance in the context of the enabling conditions of affiliate marketing success (e.g., match between merchants and affiliates, appealing and easy-to-use website, affiliate types) and metrics to measure affiliate marketing outcomes (e.g., impressions, clicks, click-throughs, leads, actions, sales) (Bandyopadhyay et al., 2009; Brear & Barnes, 2008; Libai, Biyalogorsky, & Gerstner, 2003; Ryan & Jones, 2009).

### Increasing Theory-Practice Gap

Finally, given the practitioner-driven nature of Internet marketing and affiliate marketing studies, we find a considerable and increasing gap between marketing performance measurement theory and practice. With the advent of new technology-enabled monitoring solutions, marketing practitioners rarely adopt theoretical frameworks for measurement, but continuously search and readily accept new

IT-driven tracking possibilities (Borelli & Holden, 2007; Goldschmidt et al., 2003; Seggie et al., 2007). Theorists, in turn, make only insignificant progress in this field. In developing frameworks for the measurement of Internet marketing performance, the majority of scholars, with a few exceptions (Murdough, 2010; Treiblmaier & Pinterits, 2010), primarily build upon the generic marketing literature which is argued to be inapplicable online (Cheong et al., 2010). In a quantitative fashion, these scholars add and test the different variables derived from the extant literature and slowly further the understanding of Internet measurement practices (Michaelidou et al., 2011; Wade & Nevo, 2005). Such a slow pace of theory development inhibits the advancement of theoretical approaches to Internet marketing measurement. As a result, scientifically developed measurement approaches fall behind the evolution of online marketing monitoring and lose their ability to compete with practitioner-generated online tracking services.

In this study, we focus on the affiliate marketing channel to evaluate the effectiveness of practitioner-driven performance measurement and, on the basis of the literature analysis and empirical findings, propose recommendations for practice improvement.

## METHOD

Due to the lack of previous performance measurement studies on affiliate marketing and in order to extend our understanding of Internet marketing performance measurement beyond existing theoretical accounts on the topic, we adopted a grounded theory approach (Corbin & Strauss, 2008; Glaser, 1992). Several marketing studies successfully employed grounded theory to develop a deep understanding of new and 'messy' phenomena previously uncovered in literature and to produce practically useful recommendations for improvement empirically from the data (Batra, Ahuvia, & Bagozzi, 2012).

### Data Collection and Sampling

The research design of this study involved two stages: 1) qualitative content analysis of 72 online forum discussions (65 discussions were already running; seven were initiated by the researchers); and 2) in-depth analysis of 37 semi-structured interviews with various stakeholders from the affiliate marketing industry, working in the tourism and hospitality sector.

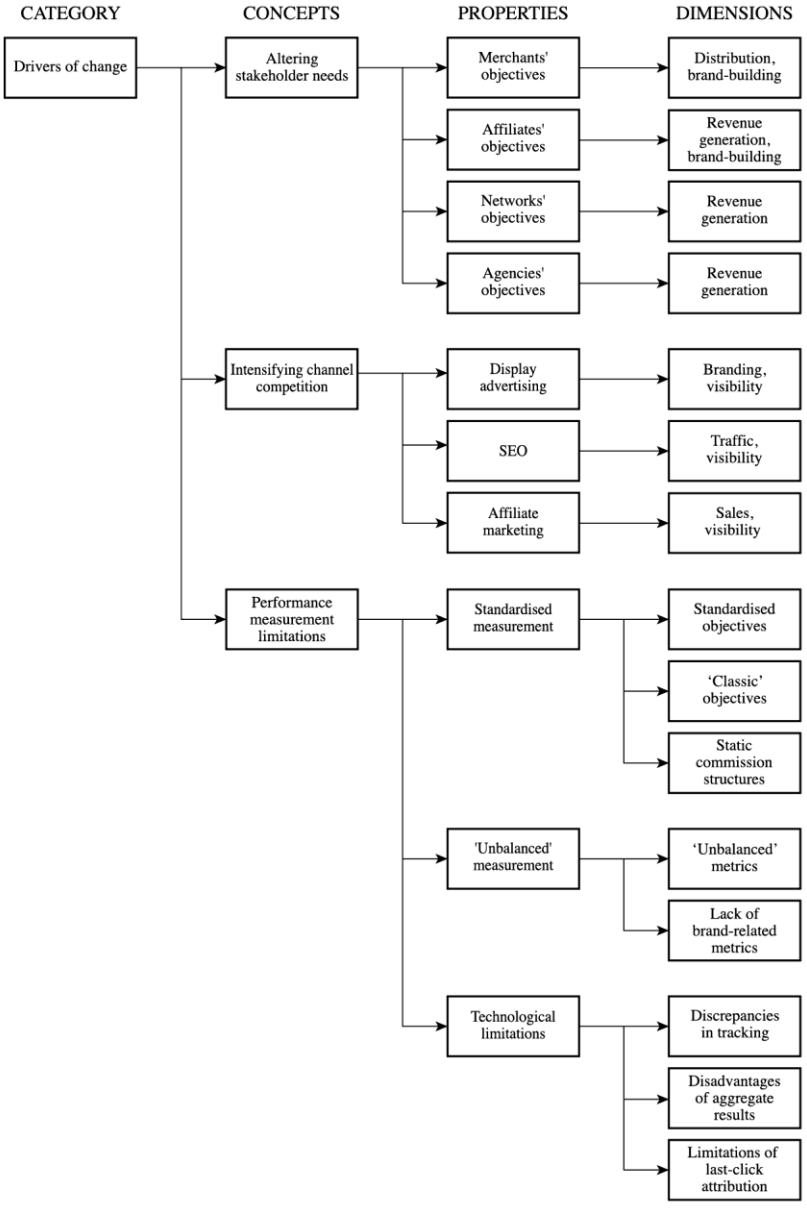
During the first stage we aimed to generate an initial understanding of the current measurement approaches in affiliate marketing. For this purpose, we selected appropriate online forums (7 in total) from a list of the most popular and highly ranked affiliate forums (e.g., Affiliates4U, Affiliate Marketing Masters on LinkedIn), which exhibited the participation of authoritative figures from the affiliate industry (Bryman, 2008). Using a purposive sampling approach, we chose existing forum discussions (65 in total) on the basis of the topics discussed, with the main selection criterion being topics about performance measurement and analytics. For the researcher-initiated discussions (7 in total), we recruited participants based on self-selection (Hewson, Yule, Laurent, & Vogel, 2003). In total, the data collection process at this stage resulted in 965 pages of text.

During the second stage when 37 semi-structured interviews were conducted, we sought to explore affiliate marketing performance measurement in greater depth and particularly focused on the perceived effectiveness of the current affiliate measurement practices. In total, we interviewed 9 merchants, 2 affiliates, 12 hybrids (simultaneously taking the position of merchants and affiliates), 8 affiliate networks and 6 affiliate agencies, and generated 268 pages of qualitative data. Adopting a purposive sampling approach, we contacted potential interviewees at conferences and via several affiliate marketing-related LinkedIn groups. 33 interviews were recorded and later transcribed verbatim, while for the remaining 4 detailed field notes were taken.

### Data Analysis

In analysing the data, we followed the established grounded theory format by Corbin and Strauss (2008). We started the process of data analysis with the collection of the first data piece and continued until no new insights were generated, which in grounded theory terms implied that the research reached its saturation point. Through the analytical process, we made active use of open and axial coding, iterative micro and more abstract macro analysis, memo writing, constant comparisons and theoretical sampling. At the level of a transcript, we first engaged in a micro analysis and detailed line-by-line open coding, examining each transcript for low-level concepts or "words that stand for ideas contained in data" (Corbin & Strauss, 2008, p.159). Once the initial line-by-line examination was completed, we grouped low-level concepts into high-level categories (axial coding) and, where possible, described these categories and concepts in terms of their properties (descriptive characteristics) and dimensions (variations and range in properties) (Figure 1). When we reached the saturation point, we integrated all the data into one explanatory framework, identified the core category (i.e. drivers of change in affiliate marketing measurement), and developed the final theoretical scheme explaining current affiliate marketing performance measurement.

*Figure 1. Core category, concepts, properties and dimensions*

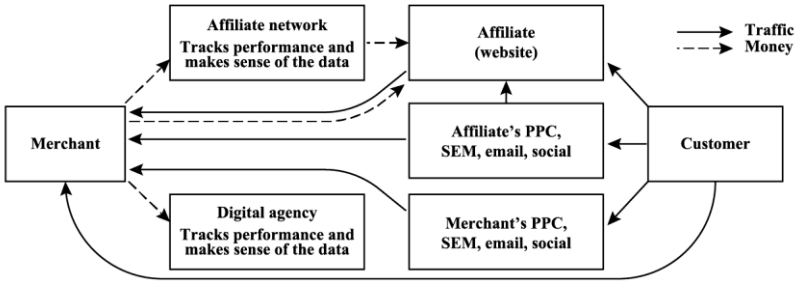



## CURRENT PERFORMANCE MEASUREMENT PRACTICES IN AFFILIATE MARKETING

In spite of the popularity of the affiliate marketing channel, in literature the conceptualisation of affiliate marketing remains a subject of disagreement. Based on the empirical examination and the literature, we propose the following definition of affiliate marketing. Affiliate marketing is an Internet marketing channel and an exposure-, interactivity- and/or outcome-based online partnership, in which a merchant affiliates with one or more individuals or firms with complimentary and matching products/services, encourages them to promote and distribute merchant's offerings, and incentivises them each time an action, pre-defined in affiliate programme's terms and conditions (e.g., a sale or a registration), is competed (Figure 2).

The measurement of affiliate marketing performance – can lie in the hands of different players, depending on whether the affiliate marketing function is organised directly between a merchant and an affiliate or indirectly through affiliate networks and/or agencies. In direct relationships, where merchants and affiliates collaborate without involvement of intermediaries, affiliate marketing management and measurement resides in the hands of internal affiliate marketing managers, or is outsourced to digital agencies. Tracking is administered with the help of the internally developed tracking solutions or by means of third party tracking, such as Omniture and Google Analytics. Internal tracking solutions are typically based on ID tracking, which implies that every affiliate is provided with their own ID, which monitors affiliate actions and performance.

*Figure 2. Affiliate marketing stakeholders*




In the indirect relationship, where the collaboration is organised via affiliate networks, networks both facilitate tracking and monitor performance. Agencies, in such cases, rely on the tracking provided by affiliate networks and are mostly engaged in the overall affiliate marketing strategy planning, rather than affiliate marketing performance measurement. Although tracking in indirect relationships is typically provided by networks, several merchants nevertheless combine networks' affiliate data with the data collected by third parties (e.g., Omniture, Google Analytics, DoubleClick) and in some instances also with the data gathered by the tracking solutions developed internally. Such combination and comparison of different data sources is deliberate. It helps merchants validate the information from networks, allows for cross-channel performance evaluation and eliminates possible data discrepancies.

## DRIVERS OF CHANGE

In contrast to previous studies (Duffy, 2005; Fox & Wareham, 2007;Wilson & Pettijohn, 2008), which describe affiliate marketing monitoring as one of the most accurate and advanced, we find that current practitioner approaches to affiliate marketing performance measurement have limitations and require change. Overall, we identify three main drivers of this change: altering stakeholder needs, intensifying channel competition and present performance measurement limitations (Figure 1).

### Altering Stakeholder Needs

The first significant factor driving change in affiliate marketing measurement is altering stakeholder needs. These needs challenge the present measurement systems provided by affiliate networks and force networks to look for new metrics to justify the value of the affiliate channel. In the quest to better serve their customers and to outperform competition, affiliate marketing stakeholders (particularly merchants and affiliates) increasingly seek insights into new and previously unaddressed aspects of performance. They ask for more qualitative and 'balanced' measurement of their affiliate programmes and require tracking of the affiliate activities and customer online journey *beyond* last click. They also demand the

right to have an open and direct communication with partners involved, something that is currently forbidden by many affiliate networks. Additionally, stakeholders request the development of improved compensation plans and express their willingness to reward affiliates based on the contribution they make not only in generating a sale, but also in influencing customer decision-making.

## Intensifying Channel Competition

Another driver of change in affiliate measurement is the intensifying competition between various Internet marketing channels and rivalry based upon non-financial measurement that again pushes networks to rethink their measurement approaches. Every Internet marketing channel is associated with the specific marketing objectives it serves and the particular commission structures it operates (Ewing, 2009). For example, display advertising is associated with branding, search engine marketing with traffic and affiliate marketing with performance-based services, which can be used to generate sales and revenue. The association of affiliate marketing with performance-based sales solutions and objective quantitative measurement has benefited the affiliate industry for a long time. At present, however, the intensifying channel competition based on qualitative measurement makes this position unfavourable, as affiliate networks (the main tracking providers in affiliate marketing) remain unable to provide the qualitative measurement that companies are looking for, while their competitors aggressively develop quality-based metrics and successfully attract their share of the brand-aware business market.

## Performance Measurement Limitations

The third and the most significant driver of change is the numerous limitations that present measurement practices in affiliate marketing face. Broadly, we arrange these limitations into three major groups: 1) standardised measurement, 2) unbalanced measurement and 3) technological limitations.

### *Standardised Measurement*

Despite the numerous advantages of a standardised approach to performance measurement in marketing (Novak & Hoffman, 1996), standard measurement is subject to some weaknesses, each with specific consequences. The first shortcoming of standard measurement is related to standardised marketing objectives. Marketing objectives represent one of the most common performance criteria that enables the comparison of planned versus achieved marketing results (Eusebio et al., 2006). To be regarded as relevant benchmarks for comparison, Rajgopal et al. (2003) recommend that objectives should evolve with time and change for each new marketing activity in order to accurately articulate the desired outcomes and set the direction for the planned actions. The results of this study suggest that in affiliate marketing objectives stay unchanged. They are often taken for granted and are standardised. They remain the same over time and, as a result, deprive current affiliate programs of focus and direction, something that further affects performance. Lacking regular reassessment, these objectives are unable to evolve and account for new opportunities (Kellen, 2003; Valos & Vocino, 2006). For example, the majority of the participants as well as the existing studies (Daniele et al., 2009; Figg, 2005) recognise that affiliate marketing contributes to brand exposure and awareness. Yet, present revenue-oriented affiliate marketing objectives do not aim at the achievement of such intangible benefits as, for example branding enhancement, because branding has traditionally been regarded as difficult-to-measure and from the outset has not been associated with affiliate marketing.

A further limitation of standardised measurement is that it operates a ‘classic’ set of metrics. Typical affiliate marketing metrics include clicks, click-through rates, sales, leads, impressions, conversion rates and ROI (Bandyopadhyay et al., 2009; Duffy, 2005; Martin-Gill et al., 2009). According to the findings, these metrics are mainly determined by the capabilities of the present tracking technologies provided by affiliate networks, something that implies that in many organisations technologies, not marketing

managers, determine what is measured and how it is measured. Since the current metrics are primarily pushed by the technology or IT specialists, they are typically not tied to specific affiliate marketing objectives, but are rather considered as standard, in spite of the common acknowledgement that these metrics only capture a part of the actual performance.

The final limitation related to standardised affiliate measurement is its out-dated compensation models. For about a decade, the affiliate marketing industry, with networks taking the lead, has been working to establish affiliate marketing as a pure Cost-Per-Acquisition (CPA) channel, where commission is based on performance. Having pioneered what at the time seemed a fairer commission model (i.e. CPA), the affiliate industry has been reluctant to change their commission structures and has continued to promote affiliate marketing as a pure performance-based channel and sales force. This has created an opportunity for other Internet marketing channels to take the position of brand awareness and visibility builders online. For example, display advertising has built its whole business model around driving awareness and exposure and affiliate marketing is now losing its market share to this channel.

### *'Unbalanced' Measurement*

In the literature, one of the most frequently mentioned principles for effective marketing performance measurement is a 'balanced' choice of metrics that gives equal weight to both tangible and intangible, financial and non-financial, and short-term and long-term metrics (Phillips & Moutinho, 2010; Woodburn, 2004). In this study, we describe affiliate marketing measurement as 'unbalanced' and lacking intangible and non-financial metrics.

The respondents depict the metrics currently employed as highly financial, quantitative, short-term, performance-driven and aimed at measuring transactions, conversions, click-through rates and ROI. Indeed, affiliate marketing metrics involve considerable numerical data and lack the qualitative component, something that makes measurement partial, one-sided and financially based (Rajgopal et al., 2003). Many of the participating stakeholders express their dissatisfaction with the lack of balance between financial and non-financial data reported. For example, one network confirms that there have been shifts in the type of data merchants ask for, suggesting that more frequently merchants seek to know what sales numbers actually mean. Besides asking for more customer-centric metrics, merchants also wish to understand whether affiliate marketing 'cannibalises' other channels, and whether merchants can get the sales that they receive by means of affiliate marketing by employing other online channels. Being faced with these new questions, the affiliate marketing industry, and in particular affiliate networks, are forced to rethink what aspects of performance and what new metrics they need to start measuring to meet the changing stakeholder requirements.

In evaluating the impact of affiliate marketing activities, merchants frequently seek more qualitative insights into their affiliate marketing performance. An example of such qualitative insight, which currently remains 'free' and unassessed in affiliate marketing, is branding. Although many merchants collect data on clicks and impressions, which the literature regards as brand-related performance indicators (Novak & Hoffman, 1996; Quinton & Khan, 2009), the branding value of affiliate marketing is neither officially tracked, nor regarded as the main aim of affiliate marketing. The lack of brand-related measurement undermines the image of affiliate marketing as a brand-building channel and, as the literature claims, inhibits a holistic performance evaluation of affiliate programmes with their financial and non-financial, tangible and intangible outcomes (Ewing, 2009; Shih & Hu, 2008).

### *Technological Limitations*

The last group of limitations is concerned with the industry's overreliance on technology. The empirical results reveal that stakeholders tend to focus on the technology-side of measurement and are convinced that the type of tracking technologies adopted is key to success. The technological aspect of

measurement is undoubtedly important, as it provides the basis for the whole performance evaluation; however, 'blind' overreliance on technology alone may be problematic (Seggie et al., 2007). The consequences that this overreliance might have for performance are several.

For example, while many participants agree that current measurement offered by affiliate networks is imperfect, affiliates and merchants continue to rely on networks because, apart from tracking performance, they also offer other services, for example recruitment, follow-up of existing/new affiliates and invoicing. To supplement the networks' tracking systems, merchants and affiliates employ additional tracking solutions. Some merchants rely on Google Analytics and similar tracking service providers (e.g., Hasoffers.com) or develop their own in-house tracking systems. Similarly, affiliates either create their own monitoring solutions or outsource tracking to third parties (e.g., Affmeter). As a result the stakeholders involved in the same affiliate relationship measure performance with multiple tracking solutions. Each of these solutions monitors its own performance metrics and provides insights on different aspects of performance. The tracking by these solutions is frequently incompatible, and the results displayed may be inaccurate, with discrepancies reaching up to 25%. Though the issue of possible data discrepancies is known to all the stakeholders, it still poses a challenge, as the stakeholders in one affiliate relationship may have different perspectives of how their affiliate programme(s) performs and may therefore work on optimising different areas.

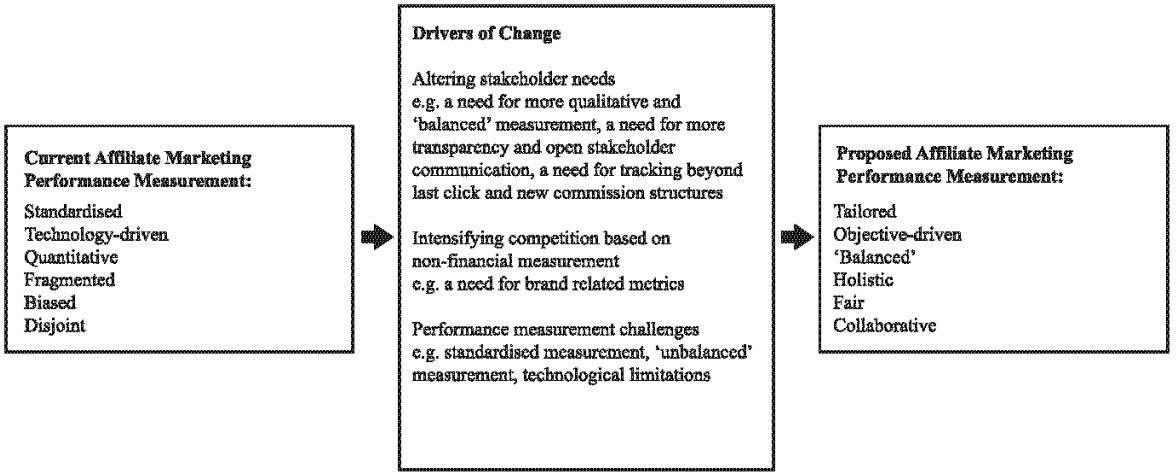
The technology is also limited in its inability to capture a holistic picture of affiliate performance. For instance, such tracking systems as Google Analytics, which are employed by most merchants and affiliates, and affiliate-oriented tracking systems (e.g., Affmeter), which are specifically developed for affiliates engaged in several programs simultaneously, only display the aggregate results of affiliates' or merchants' performance. They do not allow the stakeholders to investigate the performance of each partner at an individual level, and therefore inhibit the stakeholders' ability to analyse individual sources of traffic in greater detail. This further limits the stakeholders' ability to optimise the performance of the partners with greater potential.

A further technological limitation revealed is the industry's reliance on last-click attribution, where a commission is attributed to the last source that is responsible for the transaction. The reason for the prevalence of last click is embedded in the limitations of current tracking, which is only able to capture what customers do during or after the fulfilment of the action, pre-agreed in the terms and conditions of an affiliate programme. In spite of the fact that tracking beyond last click is technologically possible (Bughin, Shenkan, & Singer, 2009), the entire user journey *before* last click is still invisible to the stakeholders. Due to the fact that the traceability of user behaviour before last click is limited and the observability of the actions that different affiliates undertake in driving that click is restricted, the role that affiliates play in that journey remains largely unappreciated. Similarly, the role of affiliate marketing in influencing customer decision-making continues to be underestimated. Consequently, many affiliates, who put considerable effort in adding value to customers and in driving a potential click, view current commission structures in affiliate marketing as "unfair". From the merchant point of view, such compensation models are highly cost-effective, since payments are only made to the affiliates, who contributed to a sale; yet these commission arrangements are also guilty of encouraging affiliates to focus on generating a click rather than on adding value to customers.

## NATURE OF CHANGE

The identified drivers challenge the present principles of affiliate marketing measurement and necessitate change. Overall, we identify six main areas requiring change. More specifically, we argue that the measurement needs to change from being largely standardised, technology-driven, quantitative, fragmented (based on last click), biased and disjoint to being more situation-specific, objective-driven, 'balanced', holistic (beyond last click), fair and collaborative (Figure 3).

*Figure 3. Nature of change in affiliate marketing performance measurement*




## From Standardised to Tailored Measurement

Most of the study's participants acknowledge treating affiliate marketing measurement as a standard process, where regardless of the programmes' content and context, affiliate marketers monitor the same set of standard performance indicators. These participants also admit that for best results this process should not be standardised and suggest that it needs to be treated as context- and situation-specific. Since all affiliate programmes differ in terms of content, timing, duration and objectives, the interviewed stakeholders propose to view performance measurement at the level of a programme and advise that performance measurement procedures should be carefully revisited each time a new programme is formulated to ensure that the programme's peculiarities are addressed accordingly. In the participants' view, such context-specific and tailored approach to measurement can turn the attention of practicing affiliate marketers away from the routine measurement of standard indicators to tailoring the measurement processes to the programmes' specific characteristics. Such change can also redefine affiliate marketing, previously known as a sales generator, and can show that with the right approach the channel can be a flexible strategic marketing tool, which can be tailored and adapted to achieve marketing objectives beyond pure sales.

## From Technology-Driven to Objective-Driven Measurement

The findings further show that the majority of the affiliate marketing indicators considered standard and 'classic' are primarily determined by the capabilities of the extant tracking technologies. These indicators are rarely guided by the specific affiliate marketing objectives of the program. Instead, what is being measured is what is technologically possible to track. In order to fully understand the results of the affiliate programme, however, these indicators need to be directly influenced by and linked to the programme's objectives. In affiliate marketing, these objectives can aim at exposure, interactivity or more tangible outcomes as opposed to only driving sales. Some examples of exposure metrics are impressions, emails and views. Interactivity metrics may include clicks, enquiries, likes, number of page views after clicks, time on site; whereas outcome-based indicators can consist of profit, sales, customer registrations, ROI and orders.

## From Quantitative to 'Balanced' Measurement

Besides being standardised and technology-driven, current performance measurement in affiliate marketing is also said to be highly quantitative and tangible. Many affiliate marketing players, inspired by the opportunity to report on previously "unaccountable" aspects of performance (O'Sulivan & Abela, 2007), seem to be content with the accountable measurement that networks provide. Increasingly many merchants and affiliates, however, query the completeness of quantitative data as the sole indicator of success and suggest that a more qualitative judgment of the performance of their affiliate programmes should be introduced. These players criticise the present static, standardised and financially oriented approach to measurement and accuse networks of taking a passive role in qualitative data interpretation. Instead of receiving purely statistical reports from the networks, merchants and affiliates wish they could obtain more help with the interpretation of the performance data, including the qualitative assessment of their affiliate programmes.

Affiliates welcome qualitative measurement, because they wish to demonstrate that they are not only a commission-driven sales force, but are also equal brand-aware partners, the affiliation with which can add to a merchant's own brand positioning. Merchants support qualitative evaluations in order to reassure themselves that affiliate marketing, that was historically associated with brand dilution and other negative consequences (Fox & Wareham, 2007; Mariussen et al., 2010; Oetting, 2006; Quinton & Khan, 2009), does not harm the brand, but instead carries some intangible benefits. Merchants also demand more information about the intangible side of affiliate marketing performance, because a greater amount of Internet channels start offering trackable and accountable brand building and sophisticated qualitative customer information. Finally, merchants require more qualitative performance information in order to be able to compare the affiliate channel with the other Internet marketing options and to be able to make their investments in a more educated manner. A strictly financial focus on performance that networks offer, from the point of view of merchants, encourages the unwanted affiliate attitude and behaviour, to avoid which merchants search for a more balanced understanding of performance and turn to other online channels. To stay competitive, networks feel a need to introduce a more balanced and dynamic approach to measurement and step away from the static measurement practices, criticised in the literature for being short-term, backward-looking, internally-oriented and historically focused (Clark, 2000; Kennerley & Neely, 2002).

### From Fragmented (Last Click) to Holistic (Beyond Last Click And Cross-Channel) Measurement

The findings also show that the stakeholders consider the present tracking technologies reliant on last click as partial and limited. These stakeholders miss the possibility to investigate affiliate performance and customer behaviour prior to the click that triggers a transaction, and claim that an understanding of the customer journey across different channels can help optimise affiliate programmes better and can enable the stakeholders to make more educated decisions based not on pure intuition and past performance results, but on the rich and real-time user journey data, which is presently unavailable. Knowing more about the individual user journey online is valuable, because this data can provide the stakeholders with useful information about the touch points and interactions that potential and existing users have with the affiliate and the other Internet channels. This can further help companies to compare the channels and invest in the marketing initiatives with most potential.

### From Biased to Fair Measurement

Together with the change in tracking algorithms, affiliate marketing stakeholders also argue that current commission structures need to be altered. Instead of paying to only those affiliates, who generate clicks, which result in transactions, the stakeholders propose rewarding the participating partners proportionally based on their contribution, which can range from exposing an online user to an ad to influencing users'

decision to purchase. This change implies the potential removal of measurement biases and a more fair assessment of affiliate performance. Among the stakeholders who favour this change, there are primarily affiliates, who take the role of sales initiators but do not necessarily represent the generators of last click; and merchants, who wish to encourage their brand-strengthening and value-adding affiliates. Affiliate networks, some of which are also reluctant to this change, seem to realise that this change in tracking, and consequently in commissions, is becoming inevitable. Some networks even view this change as advantageous, as it can potentially reveal the true role of affiliates and can demonstrate the full value of the affiliate channel, strengthening its competitive position.

### From Disjoint to Collaborative Measurement

One more new aspect in the process of performance measurement that requires change is related to more collaboration and open communication between the stakeholders. Particularly, two levels of collaboration are highlighted as key: collaboration between a merchant and an affiliate, which often takes place via a network, and cooperation between a merchant and a network.

With regard to the former cooperation type, the stakeholders express a concern in relation to the procedures imposed by some affiliate networks, whereby merchants and affiliates are not permitted direct contact. The stakeholders claim that prohibited communication affects their programmes' performance and argue that transparency and direct communication can develop trust and tighter bonds between the stakeholders, help optimise programmes better and eliminate possible misunderstanding between the players.

In terms of the collaboration between a merchant and a network, networks express some frustration suggesting that merchant performance can be compromised if merchants do not provide networks with the specific marketing objectives they wish to achieve. Networks also explain that the evidence of the exact affiliate marketing contribution that merchants increasingly seek can be difficult to provide if merchants do not view networks as partners and do not give networks access to their overall online marketing activities and data.

## THEORETICAL IMPLICATIONS

In this study, we set out to assess the effectiveness of practitioner-driven online performance measurement enabled by technological capabilities. Having investigated the assessment practices of the affiliate marketing channel, we conclude that existing approaches to measurement in affiliate marketing require careful reassessment. In particular, we identify that the present affiliate and online marketing measurement suffers from being standardised, technology-driven, quantitative, fragmented, biased and disjoint, and argue that for better channel optimisation the measurement should become tailored, objective-driven, 'balanced', holistic, fair and collaborative.

This work forms a dual theoretical contribution to knowledge. It extends the Internet marketing theory by investigating the under-researched online marketing channel – affiliate marketing. Besides, it contributes to the Internet marketing performance measurement research by carefully examining and proposing changes to the current measurement practices in affiliate marketing and by formulating a theoretically- and empirically-grounded future research agenda. Former performance measurement studies from the offline marketing literature document a need for change of the traditional accounting-based performance measurement towards more 'balanced' and multi-dimensional performance assessments (Gao, 2010). Based on the extensive empirical evidence, this study further extends this view to also apply online.

## PRACTICAL IMPLICATIONS

In addition to its theoretical contribution, the study has practical implications for both online marketing managers, working across multiple marketing channels, and affiliate marketers. To online marketing managers, the work shows the value of affiliate marketing, illustrates where it can be applied and which marketing objectives it can help to reach. We highlight the advantages and disadvantages of the channel, explain its workings and clarify how affiliate marketing can fit to the overall online marketing mix. Additionally, we emphasise which aspects of measurement are important for channel optimisation.

From the point of view of affiliate marketers, the work adds value by bringing attention to the limitations in affiliate marketing measurement and suggesting how some of the identified issues can be resolved. Based on these limitations, the study proposes a need for change in affiliate marketing performance measurement and provides the rationale for this argument, supported by the empirical data and the literature (Michopoulou & Buhalis, 2008; Ryan & Jones, 2009). This empirically based proposition can be used as further evidence for the need for change by those pioneering affiliate marketing stakeholders, who already support a shift in affiliate marketing measurement. In addition, this proposition can serve as a call for action for those stakeholders, who are yet to realise that for the sustainability of the affiliate marketing industry the present measurement practice requires change.

## LIMITATIONS

This study has one weakness, namely the limited generalisation of the findings given the specific focus of the study on tourism and hospitality. Although several participants suggest that the affiliate marketing measurement issues in this industry are transferrable to other contexts, the generalisation and across-context applicability of the findings might be compromised (Dvora & Schwartz-Shea, 2006).

## FUTURE RESEARCH AGENDA

Building upon the specific findings of this work, future studies can adopt quantitative research methods to test the identified affiliate marketing measurement issues on wider affiliate audiences. Using our rationale and recommendations for the change in measurement practices; future research can also develop recommendations for the actual process of affiliate marketing performance measurement.

More broadly, future studies can focus on such research areas as further conceptualisation and operationalization of the construct of online marketing performance, applicability of extant performance measurement approaches and principles from the (offline) marketing theory to the online marketing practice, and measurement of the collective performance of multichannel marketing activities across online and offline domains.

## REFERENCES


Ambler, T. (2000). Marketing metrics. *Business Strategy Review, 11*(2), 59-66.

Ambler, T., Kokkinaki, F., & Putoni, S. (2004). Assessing marketing performance: Reasons for metrics selection. *Journal of Marketing Management, 20*(3/4), 475-498.

Bandyopadhyay, S., Wolfe, J., & Kini, R. (2009). A critical review of online affiliate models. *Journal of Academy of Business and Economics, 9*(4), 141-147.

Barwise, P., & Farley, J.U. (2004). Marketing metrics: Status of six metrics in five countries. *European Management Journal, 22*(3), 257-262.

Batra, R., Ahuvia, A., & Bagozzi, R. (2012). Brand love. *Journal of Marketing, 76*(2), 1-16.

Belanger F., Fan, W., Schaupp, C., Krishen, A., Everhart, J., Poteet, D., & Nakamoto, K. (2006). Web site success metrics: Addressing the duality of goals. *Communications of the ACM, 49*(12), 114-116.

Borelli, A., & Holden, G. (2007). *Affiliate millions. Make a fortune using search marketing on Google and beyond.* New Jersey: John Wiley & Sons, Inc.

Brear, D., & Barnes, S. (2008). Assessing the value of online affiliate marketing in the UK financial services industry. *International Journal of Electronic Finance, 2*(1), 1-17.

Bremser, W.G., & Chung, Q.B. (2005). A framework for performance measurement in the e-business environment. *Electronic Commerce Research and Application, 4*(4), 395-412.

Bryman, A. (2008). *Social research methods.* 3rd ed. Oxford: Oxford University Press.

Bughin, J., Guggenheim Shenkan, A., & Singer, M. (2009). How poor metrics undermine digital marketing. *McKinsey Quarterly, 1*, 106-107.

Calero, C., Ruiz, J., & Piattini, M. (2005). Classifying web metrics using the web quality model. *Online Information Review, 29*(3), 227-248.

Cheong, Y., Gregorio, F., & Kim, K. (2010). The power of reach and frequency in the age of digital advertising. Offline and online media demand different metrics. *Journal of Advertising Research, 50*(4), 403-415.

Clark, B.H. (2000). Managerial perceptions of marketing performance: Efficiency, adaptability, effectiveness and satisfaction. *Journal of Strategic Marketing, 8*(1), 3-25.

Connor, P., & Tynan, C. (1999). In sickness and in health: Exploring and redeveloping a measure of marketing effectiveness. *Journal of Marketing Management, 15*(8), 733-756.

Corbin, J.M., & Strauss, A. (2008). *Basics of qualitative research.* 3rd ed. London: Sage Publications.

Daniele, R., Frew A., Varini, K., & Magakian, A. (2009, January). *Affiliate marketing in travel and tourism*. Paper presented at Proceedings of the International Conference in Amsterdam, The Netherlands.

Duffy, D.L. (2005). Affiliate marketing and its impact on e-commerce. *Journal of Consumer Marketing, 22*(3), 161-163.

Dvora, Y., & Schwartz-Shea, P. (2006). *Interpretation and method: Empirical research methods and the interpretive turn.* Armonk, New York: ME Sharpe Inc.

Eusebio, R., Andreu, L.A., & Belbeze, M.P.L. (2006). Measures of marketing performance: A comparative study from Spain. *International Journal of Contemporary Hospitality Management, 18*(2), 145-155.

Ewing, M.T. (2009). Integrated marketing communications measurement and evaluation. *Journal of Marketing Communications, 15*(2/3), 103-117.

Figg, M.L. (2005). Affiliate programmes - the business opportunity of a lifetime. *International Journal of Retail & Distribution, 33*(12), 927.

Fox, P., & Wareham, J. (2007, June). *Controlling your brand: Contractual restrictions placed by Internet retailers on affiliate marketing activities in Spain.* Paper presented at 20th Bled eConference eMergence: Merging and Emerging Technologies, Processes, and Institutions, Bled, Slovenia.

Gao, Y. (2010). Measuring marketing performance: A review and a framework. *The Marketing Review, 10*(1), 25-40.

Germann, F., Lilien, G.L., & Rangaswamy, A. (2012). Performance implications of deploying marketing analytics. *International Journal of Research in Marketing, 30*(2), 114-128.

Glaser, B. (1992). *Emergence vs forcing. Basics of grounded theory analysis.* Mill Valley, CA: Sociology Press.

Goldschmidt, S., Junghagen, S., & Harris, U. (2003). *Strategic affiliate marketing.* Cheltenham: Edward Elgar.

Hammersley, M. (1987). Some notes on the terms 'validity' and 'reliability. *British Educational Research Journal, 13*(1), 73-81.

Hewson, C., Yule, P., Laurent, D., & Vogel, C. (2003). *Internet research methods: A practical guide for social and behavioural sciences.* London: Sage Publications.

Homburg, C., Artz, M., & Wieseke, J. (2012). Marketing performance measurement systems: Does comprehensiveness really improve performance? *Journal of Marketing, 76*(3), 56-77.
Hughes, T. (2007). How well do you know your Internet marketing partners? *Journal of Internet Law, 10*(11), 3-6.
Ibeh, K.I.N., Luo, Y., & Dinnie, K. (2005). E-branding strategies of Internet companies: Some preliminary insights from the UK. *Brand Management, 12*(5), 355-373.
Jain N, Ahuja, V., & Medury, Y. (2013). Websites and Internet marketing: Developing a model for measuring a website's contribution to the brand. *International Journal of Online Marketing, 3*(1), 14-31.
Janssen, D., & Heck, E. (2007). How will online affiliate marketing networks impact search engine rankings. *ERIM Report Series Research in Management*, 1-12.
Kellen, V. (2003). *Business performance measurement at the crossroads of strategy, decision-making, learning and information visualization.* Chicago, IL US: DePaul University.
Kennerley, M., & Neely, A. (2002). A framework of the factors affecting the evolution of performance measurement systems. *International Journal of Operations & Production Management, 22*(11), 1222-1245.
Libai, B., Biyalogorsky, E., & Gerstner, E. (2003). Setting referral fees in affiliate marketing. *Journal of Service Research, 5*(4), 303-315.
Lincoln, Y.S., & Guba, E.G. (1985). *Naturalistic inquiry.* London: Sage.
Malthouse, E., & Hofacker, C. (2010). Looking back and looking forward with interactive marketing. *Journal of Interactive Marketing, 24*(3), 181-184.
Mariussen, A., Daniele, R., & Bowie, D. (2010). Unintended consequences in the evolution of affiliate marketing networks: A complexity approach. *The Service Industries Journal, 30*(9), 1707-1722.
Marshall, C., & Rossman, G.B. (2011). *Designing qualitative research.* 5th ed. London: Sage Publications, Inc.
Martin-Gill, W., Hartman, S., Lalchand, U., Schwarz, J., & Wehrmaker, C. (2009). The coming evolution in affiliate marketing: A focus on quality. *SEMJ.org, 2*, 1-4.
Michaelidou, N., Siamagka, N.T., & Christodoulides, G. (2011). Usage, barriers and measurement of social media marketing: An exploratory investigation of small and medium B2B brands. *Industrial Marketing Management, 40*(7), 1153-1159.
Michopoulou, E., & Buhalis, D. (2008). Performance measures of net-enabled hypercompetitive industries: The case of tourism. *International Journal of Information Management, 28*(3), 168-180.
Miller, A., & Cioffi, J. (2004). Measuring marketing effectiveness and value: The Unisys marketing dashboard. *Journal of Advertising Research, 44*(3), 237-243.
Morgan, N.A., Clark., B.H., & Gooner, R. (2002). Marketing productivity, marketing audits, and systems for marketing performance assessment: Integrating multiple perspectives. *Journal of Business Research, 55*(5), 363-375.
Murdough, C. (2010). Social media measurement: It's not impossible. *Journal of Interactive Advertising, 10*(1), 94-99.
Novak, T.P., & Hoffman, D.L. (1996). New metrics for new media: Toward the development of web measurement standards. *World Wide Web Journal, 2*(1), 213-246.
Oetting, M. (2006). How to manage connected marketing. In J.Kirby, & P. Marsden (Eds.). *Connected marketing - The viral, buzz and word of mouth revolution* (pp. 232-267). Oxford: Butterworth-Heinemann.
Ostrofsky, M. (2011). *The ultimate guide to making money on the Internet. Get rich click.* London: Simon & Schuster.

Phillips, P., & Moutinho, L. (2010). The marketing planning index: A tool for measuring strategic marketing effectiveness. *Journal of Travel and Tourism Marketing 7* (3), 41-60.
Quinton, S., & Khan, M.A. (2009). Generating web site traffic: A new model for SMEs. *Direct Marketing: An International Journal, 3*(2), 109-123.
Rajgopal, S., Venkataghalam, M., & Kotha, S. (2003). The value relevance of network advantages: The case of e-commerce firms. *Journal of Accounting Research, 41*(1), 135-162.
Rowley, J. (2004). Just another channel? Marketing communications in e-business. *Marketing Intelligence & Planning, 22*(1), 24-41.
Ryan, D., & Jones, C. (2009). *Understanding digital marketing: marketing strategies for engaging the digital generation.* London: Kogan Page.
Seggie, S.H., Cavusgil, E., & Phelan, S.E. (2007). Measurement of return on marketing investment: A conceptual framework and the future of marketing metrics. *Industrial Marketing Management, 36*(6), 834-841.
Selim, H.M. (2012). Content evaluation criteria for general websites: Analysis and comparison. *International Journal of Online Marketing, 2*(3), 21-38.
Shih, Y. Y., & Hu, J.S. (2008). Fuzzy quality attributes for evaluating Internet marketing system performance. *Total Quality Management, 19*(12), 1219-1234.
Stake, R.E. (2010). *Qualitative research. Studying how things work.* New York: The Guildford Press.
Treiblmaier, H., & Pinterits, A. (2010). Developing metrics for web sites. *Journal of Computer Information Systems, 50*(3), 1-10.
Valos, M.J., & Vocino, A. (2006). An integrative marketing channel performance measurement framework. *Database Marketing & Customer Strategy Management, 14*(1), 17-28.
Vorhies, D.W., & Morgan, N. (2003). A configuration theory assessment of marketing organisation fit with business strategy and its relationship with marketing performance. *Journal of Marketing, 67*(1), 100-115.
Wade, M.R., & Nevo, S. (2005). Development and validation of a perceptual instrument to measure e-commerce performance. *International Journal of Electronic Commerce, 10*(2), 123-146.
Wilson, R.D. (2004). Using web traffic analysis for customer acquisition and retention programs in marketing. *Services Marketing Quarterly, 26*(2), 1-22.
Wilson, R.F., & Pettijohn, J.B. (2008). Affiliate management software: A premier. *Journal of Website Promotion, 3*(1/2), 118-130.
Winer, R.S. (2009). New communications approaches in marketing: Issues and research directions. *Journal of Interactive Marketing, 23*(2), 108-117.
Woodburn, D. (2004). Engaging marketing in performance measurement. *Measuring Business Excellence, 8*(4), 63-72.